

# FDIC State Profile

Winter 2004

## Idaho

### Job growth in Idaho benefited from strength in services.

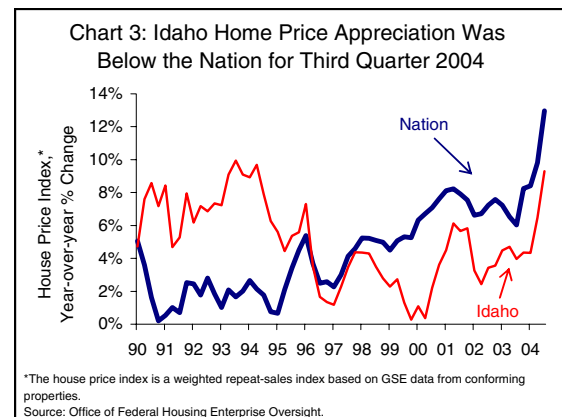
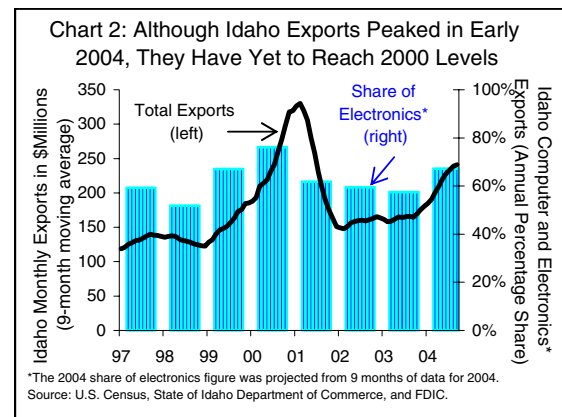
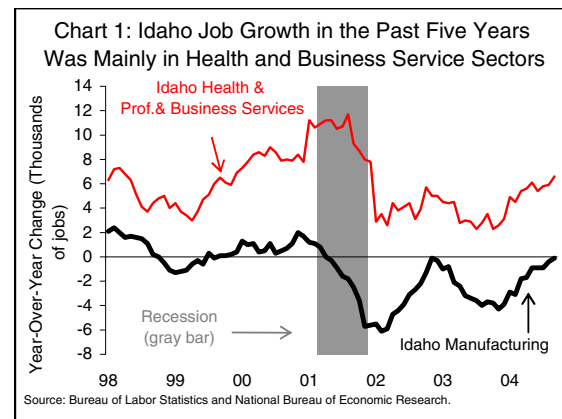
- The state reported 2.6 percent annual job growth in third quarter 2004, double the national growth rate and fourth in the nation.
- Employment growth in Idaho outpaced the nation for the past five years with more than half the job gains attributed to the health and the professional and business services sectors. In contrast, Idaho manufacturing employment was a drag on the state during most of this period (See Chart 1).

### Improved semiconductor prices may help the economy.

- Idaho exports rose 46 percent on a year-over-year basis during the first nine months of 2004 (See Chart 2). A local analyst attributed the growth to the improvement in the value of semiconductors rather than an increase in the physical goods exported.<sup>1</sup>
- Semiconductor manufacturer Micron Technology, the largest employer in Idaho, reported an increase in sales of 42 percent during its fiscal year 2004, in part because of a 15 percent price increase for semiconductor memory.
- Going forward, if improved semiconductor prices materialize into new manufacturing jobs, personal income growth in the state may benefit as well.

### Despite job gains, Idaho's consumer credit trends underperformed the nation.

- Idaho reported the 12<sup>th</sup> worst personal bankruptcy rate in the nation as of second quarter 2004, which compares unfavorably to a year ago when the state ranked 14<sup>th</sup>. Idaho also experienced a foreclosure start rate for the year ending second quarter 2004 of 1.8 percent, higher than the national figure of 1.7 percent.
- Per capita personal income grew from a negative 0.47 percent for the year ending second quarter 2003 to 3.72 percent a year later. Despite the positive growth, Idaho



<sup>1</sup>Fick, Bob, "Idaho Exports Increase 49% in First Half of Year," The Idaho Statesman, October 28, 2004.

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ranked only 43<sup>rd</sup> in per capita personal income growth nationally, up from last place the prior year. The low rankings occurred, in part, because many jobs were created in the relatively low-paying service sector, while the higher-paying manufacturing sector lost jobs.

- Idaho has experienced below-average home price appreciation rates since 1998 (See Chart 3). Weaker home price appreciation may hinder home equity growth and keep some financially-distressed homeowners from consolidating debts or avoiding foreclosure.
- Consistent with the below-average home price appreciation, home equity lines of credit posted a median growth rate of 17 percent for established institutions headquartered in the state, compared with 24 percent nationwide.<sup>2</sup>
- In line with the weak consumer finance trends, the median consumer loan net charge-off ratio increased from 0.38 percent to 0.50 percent year-over-year, and was above the 0.30 national median.

### Earnings declined but remained satisfactory.

- A significant drop in noninterest income from lower gains on loan sales and related fees dampened earnings during the third quarter. The median quarterly return on average assets fell to 0.94 percent, below the 1.05 percent reported for institutions nationwide (See Chart 4).
- In third quarter 2004, 40 percent of Idaho's commercial banks augmented earnings through securities gains. However, increases in long-term interest rates could pressure securities portfolio valuations.

### Insured institutions in Idaho experienced strong growth.

- Similar to job growth in the state, assets and deposits also posted strong growth.
- Loan growth of 23 percent outpaced both asset and deposit growth. Construction and development (C&D) lending grew a robust 44 percent year-over-year as of third quarter 2004 (See Chart 5). As a result, the median C&D loans to Tier 1 capital ratio climbed from 76 percent to 92 percent, which ranked as the fifth highest nationwide.
- Loan growth may be influencing asset quality ratios. With the exception of consumer loans, Idaho insured institutions reported lower median past-due ratios in all other loan categories as of third quarter 2004.

<sup>2</sup>On an aggregate basis, home equity lines of credit (HELOC) led loan growth nationally in third quarter 2004, with additions of \$44 billion, or a 10.6 percent quarterly increase (42.4 percent annualized).

### Branch expansion outpaced deposit growth in Idaho.

- Corresponding to the state's strong job growth, Idaho reported the 8<sup>th</sup> highest growth rate in the number of banking offices over the last decade.
- Branch expansion has helped institutions headquartered in-state expand market share, especially over the past five years. The percentage of deposits in Idaho controlled by out-of-state institutions declined from 81 percent as of June 30, 1999, to 72 percent as of June 30, 2004. Idaho's insured institutions may also be expanding their branch networks in response to competition from credit unions. Idaho reported the 11<sup>th</sup> highest credit union market share in the nation -- 13.7 percent of combined credit union and FDIC-insured deposits.
- Idaho's rate of branch expansion was not matched by deposit growth trends; the state reported the 30<sup>th</sup> highest deposit growth rate over the last decade. Sluggish deposit growth appears to be related to localized trends in personal income growth. However, in line with acceleration in personal income per capita growth, deposit growth was 7<sup>th</sup> fastest in the nation during the year ending June 30, 2004. Going forward, deposit growth may get a boost if personal income levels continue to improve.

Chart 4: Lower Non-interest Income Affects Returns Among Idaho's Institutions

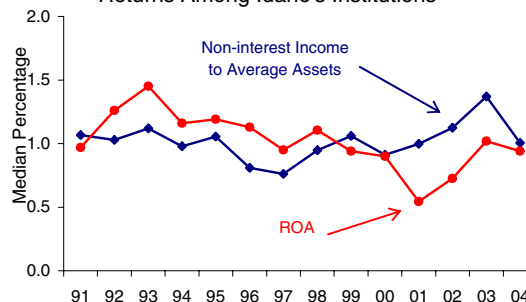
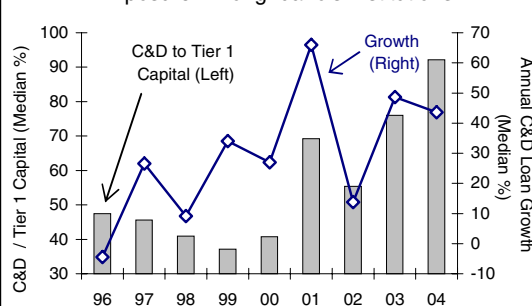


Chart 5: C&D Loan Growth Boosts Levels of C&D Exposure Among Idaho's Institutions



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### Idaho at a Glance

General Information	Sep-04	Sep-03	Sep-02	Sep-01	Sep-01
Institutions (#)	18	18	20	20	19
Total Assets (in thousands)	5,483,738	4,568,247	4,107,586	3,573,725	2,970,438
New Institutions (# < 3 years)	0	2	2	2	0
New Institutions (# < 9 years)	7	7	9	9	7
Capital	Sep-04	Sep-03	Sep-02	Sep-01	Sep-01
Tier 1 Leverage (median)	8.41	8.53	8.19	8.49	8.97
Asset Quality	Sep-04	Sep-03	Sep-02	Sep-01	Sep-01
Past-Due and Nonaccrual (median %)	0.80%	1.23%	1.19%	1.80%	1.18%
Past-Due and Nonaccrual >= 5%	0	0	0	0	0
ALLL/Total Loans (median %)	1.28%	1.39%	1.27%	1.32%	1.24%
ALLL/Noncurrent Loans (median multiple)	3.64	2.39	2.45	1.90	2.90
Net Loan Losses/Loans (aggregate)	0.09%	0.12%	0.21%	0.28%	0.21%
Earnings (Year-to-Date Annualized)	Sep-04	Sep-03	Sep-02	Sep-01	Sep-01
Unprofitable Institutions (#)	0	0	2	3	2
Percent Unprofitable	0.00%	0.00%	10.00%	15.00%	10.53%
Return on Assets (median %)	0.94	1.02	0.73	0.55	0.90
25th Percentile	0.74	0.85	0.45	0.18	0.41
Net Interest Margin (median %)	4.68%	4.62%	4.70%	4.54%	5.24%
Yield on Earning Assets (median)	5.86%	6.29%	6.75%	8.37%	9.17%
Cost of Funding Earning Assets (median)	1.55%	1.58%	2.26%	3.74%	3.93%
Provisions to Avg. Assets (median)	0.20%	0.32%	0.35%	0.35%	0.32%
Noninterest Income to Avg. Assets (median)	1.01%	1.37%	1.12%	1.00%	0.91%
Overhead to Avg. Assets (median)	3.57%	3.98%	4.25%	4.23%	4.12%
Liquidity/Sensitivity	Sep-04	Sep-03	Sep-02	Sep-01	Sep-01
Loans to Deposits (median %)	86.02%	85.32%	80.65%	83.77%	83.37%
Loans to Assets (median %)	70.19%	70.95%	70.74%	69.55%	71.73%
Brokered Deposits (# of Institutions)	8	6	4	4	4
Bro. Deps./Assets (median for above inst.)	3.48%	4.09%	6.09%	8.85%	3.81%
Noncore Funding to Assets (median)	19.11%	18.62%	17.83%	19.33%	21.37%
Core Funding to Assets (median)	68.91%	68.84%	68.55%	69.15%	68.30%
Bank Class	Sep-04	Sep-03	Sep-02	Sep-01	Sep-01
State Nonmember	13	13	14	14	14
National	1	1	1	1	1
State Member	1	1	2	2	2
S&L	1	1	1	1	1
Savings Bank	2	2	2	2	1
Stock and Mutual SB	0	0	0	0	0
MSA Distribution	# of Inst.	Assets	% Inst.	% Assets	
No MSA	13	3,886,228	72.22%	70.87%	
Boise City ID	4	1,487,266	22.22%	27.12%	
Pocatello ID	1	110,244	5.56%	2.01%	